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ACTION: NONE INFO: FILE, RE, C/CRG-3, C/DCD, C/EA, D/OCR-3,  
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ZNY CCCCC ZOC STATE ZZH  
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DE RUMJPG #1722 1590320  
ZNY CCCCC ZZH  
P R 080237Z JUN 78  
FM USLO PEKING  
TO RUEHC/SECSTATE WASHDC PRIORITY 0994  
INFO RUMJDH/AMCONSUL HONG KONG 6741  
RUEHKO/AMEMBASSY TOKYO 3322  
RUKOQS/AMEMBASSY SINGAPORE 427  
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C O N F I D E N T I A L PEKING 1722

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E.O. 11652: GDS  
TAGS: ENRG CH US

SUBJ: PRC OFFSHORE OIL DEVELOPMENT

REF: STATE 113519

1. ASPEN INSTITUTE DELEGATION, CURRENTLY VISITING PRC UNDER CPIFA AUSPICES, MET WITH PRC VICE PREMIER LI HSIEN-NIEN ON MORNING OF JUNE 7. ACCORDING TO A DELEGATION MEMBER, LI MADE THE FOLLOWING REMARKS ON POSSIBLE COOPERATION WITH US IN DEVELOPING PRC PETROLEUM RESOURCES: QUOTE: WE WILL DESIGNATE AN AREA IN THE SEA AND ASK YOU (US FIRMS) TO EXPLORE AND DRILL FOR OIL. WHEN OIL IS PRODUCED WE WILL PAY YOU IN OIL. IF THE TERMS ARE PROPER WE BELIEVE IT WILL BE POSSIBLE FOR US TO COOPERATE. UNQUOTE. LI WAS AWARE THAT ATLANTIC RICHFIELD (ARCO) BOARD CHAIRMAN ROBERT ANDERSON WAAS A

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State Department review completed

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MEMBER OF THE DELEGATION (ANDERSON INTENDS TO HAVE HIS FIRM FOLLOW-UP IMMEDIATELY WITH A PROPOSAL AND IS PREPARED TO MAKE A COMMITMENT NOW TO THE CHINESE --ALTHOUGH HE PROBABLY WILL NOT HAVE TIME TO MAKE MUCH HEADWAY ON THIS TRIP. OF POSSIBLE SIGNIFICANCE IS FACT THAT ANDERSON TOLD LI ARCO HAS NO OPERATIONS ON TAIWAN AND HAS REFUSED TO DO BUSINESS WITH THE SOVIETS. HOWEVER, LI'S REMARKS WERE ON A POLICY LEVEL AND WERE NOT DIRECTED SPECIFICALLY AT ARCO.

2. LATER IN THE MEETING, ANDERSON INDICATED TO LI THAT HIS FIRM WAS PREPARED TO MOVE QUICKLY IF THE CHINESE WERE SERIOUS. ANDERSON SAID THAT HIS FIRM COULD PROVIDE A SERVICE CONTRACT ARRANGEMENT AN WOULD NOT REPLACE YOUR (CHINESE) AUTHORITY. LI RESPONDED "YOU HAD BETTER NOT TRY!" ANDERSON SAID SOMETHING TO THE EFFECT THAT HE WAS IN A HURRY. LI REPLIED "THE SOONER THE BETTER. SOCIAL IMPERIALISM IS TRYING TO RUN THE SHOW". LI THEN BRIEFLY REVIEWED SINO-SOVIET RELATIONS IN THE PAST, STATING THAT "CHINA HAD BEEN WILLING TO BE THE YOUNGER BROTHER BUT NOT THE SON." LI ADDED THAT "YOU AMERICANS REALLY LIKE TO MOVE FAST; YOU ARE ENERGETIC. WE (CHINESE) ARE SLOW; WE NEED TO LEARN HOW TO DO THAT. THE SOCIAL IMPERIALISTS WILL NOT GIVE US MUCH TIME."

3. AFTER THE MEETING, CPIFA OFFICIAL HSIEH LI WHO HAS BEEN SHEPHERDING THE ASPEN GROUP, TOLD THEM THA LI'S STATEMENT WAS AN IMPORTANT ONE; HE WAS NOT ALKING OFF THE CUFF. HSIEH STATED "WE HAVE BEEN THINKING ABOUT THIS FOR A LONG TIME".

4. IN A SEPARATE, UNRELATED, CONVERSATION ON JUNE 7, CHINA COUNCIL FOR THE PGOMOTION OF INTERNATIONAL TRADE VICE CHAIRMAN LI CHUAN MADE SIMILAR BUT LESS EXPLICIT REMARKS TO A NATOMAS OFFICIAL. LI SAID THAT THE PRC WAS CONSIDERING VARIOUS COOPERATIVE ARRANGEMENTS WITH US FIRMS. LI CHUAN ASKED NATOMAS TO PROVIDE INFORMATION ON THE ARRANGEMENTS THAT FIRM HAS WITH INDONESIA ON PETROLEUM EXPLORATION AND DEVELOPMENT.

5. COMMENT; VICE PREMIER'S REMARKS CONSTITUTE A DRAMATIC REVERSAL OF LONG-STANDING PRC SELF-RELIANCE

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POLICY ON EXPLORATION OF ITS OFFSHORE OIL RESOURCES.  
NEW POLICY, ANOTHER INDICATION OF PRAGMATISM OF CURRENT  
LEADERSHIP, UNDOUBTEDLY DERIVES FROM PRC'S URGENT NEED  
TO EXPLOIT PETROLEUM RESOURCES TO OBTAIN FOREIGN EXCHANGE  
EARNINGS NEEDED TO FINANCE OVERALL ECONOMIC DEVELOPMENT, AND  
MAY REFLECT DISSATISFACTION WITH THE CURRENT PACE OF DEVELOPMENT  
OF THE POHAI GULF RESOURCES. LI'S STATEMENT ALSO CONFIRMS  
SPECULATION IN RREFTEL ON PRC REASONS FOR INVITING FOUR  
AMERICAN OIL FIRMS TO PEKING.

6. REQUEST ADDRESSEES HOLD THIS INFORMATION CLOSELY.  
WOODCOCK

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